DEPARTMENT OF STATE A/CDC/MR

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May 1, 1951

Mr. Nitze

Subject: U.S. Action in Relation to the Iranian Situation

NEA has submitted to S/P for prompt comment a copy of a proposed memorandum dated May 1 for the President recommending emergency U.S. aid to Iran. This memorandum is a revised version of the memorandum dated April 17 which was analyzed in Mr. Villard's memorandum to you dated April 24.

The May 1 document recommends that the President approve in principle the immediate extension to Iran of $50 millions in grant aid to be devoted to agricultural, health, electric power, and transport and communication projects, among other similar undertakings.

I am not, of course, qualified to discuss NEA's recommendations. Nonetheless, I am disposed to agree with Mr. Villard's opinion that unless projects of the nature cited were of a dramatic or immediately useful nature they might not contribute to attainment of the desired objectives. Moreover, it would appear from the attached papers that an Export-Import Bank credit of $25 millions would be available for use by Iran if that country were to take necessary legislative and other action. I wonder whether the proffer of such a large sum to the Iranian Government following the action it has taken with respect to the Anglo-Iranian Oil Company and the appointment of Mossadeq as Prime Minister might not be open to misunderstanding as implied endorsement of the taking over of the AIOC and indifference to the record and attitude of the new Prime Minister.

I would assume that the first step in this proposed course of action might be to consult Ambassador Grady as to his views in the light of the changed situation.

S/P:WThurston:vh

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